

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clark Township	County Mackinac
Fiscal Year End June 30, 2007	Opinion Date August 17, 2007	Date Audit Report Submitted to State November 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
Zip 49788			
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma	License Number 1101024989	

**CLARK TOWNSHIP**

BASIC FINANCIAL STATEMENTS

June 30, 2007

**CLARK TOWNSHIP**

**ELECTED OFFICIALS**

TOWNSHIP SUPERVISOR

LINDA HUDSON

TOWNSHIP TREASURER

KATIE VANEENENAAM-CARPENTER

TOWNSHIP CLERK

CATHY NORDQUIST

TOWNSHIP TRUSTEE

MIKE LOFDAHL

TOWNSHIP TRUSTEE

DANA LEACH

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees of  
Clark Township, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, records were not available to support the cost of certain general infrastructure and capital assets, and, accordingly, did not have records supporting its depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase or decrease the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities and major enterprise fund, is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities, and major enterprise fund, of Clark Township, Michigan, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each major governmental fund and the aggregate remaining fund information of Clark Township, Michigan as of June 30, 2007 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2007 on our consideration of Clark Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark Township, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 17, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's combined net assets increased 216% from a year ago increasing from \$932,761 to \$2,953,109. A significant portion of the increase resulted from a prior period adjustment relating to the accounting for sewer system improvements not previously included in the prior financial statements (See Foot Note 11).

In a condensed format, the table below shows the net assets of Clark Township.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 2,503,186	\$ 2,527,668	\$ 56,091	\$ 60,857	\$ 2,559,277	\$ 2,588,525
Noncurrent Assets	<u>795,164</u>	<u>679,886</u>	<u>3,105,866</u>	<u>1,318,492</u>	<u>3,901,030</u>	<u>1,998,378</u>
Total Assets	<u>3,298,350</u>	<u>3,207,554</u>	<u>3,161,957</u>	<u>1,379,349</u>	<u>6,460,307</u>	<u>4,586,903</u>
Current Liabilities	139,043	206,682	34,376	11,760	173,419	218,442
Noncurrent Liabilities	<u>3,333,779</u>	<u>3,435,700</u>	<u>-</u>	<u>-</u>	<u>3,333,779</u>	<u>3,435,700</u>
Total Liabilities	<u>3,472,822</u>	<u>3,642,382</u>	<u>34,376</u>	<u>11,760</u>	<u>3,507,198</u>	<u>3,654,142</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	524,452	403,686	3,105,866	1,318,492	3,630,318	1,722,178
Unrestricted	(698,924)	(838,514)	16,715	44,097	(682,209)	(794,417)
Restricted	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>\$ (174,472)</u>	<u>\$ (434,828)</u>	<u>\$ 3,127,581</u>	<u>\$ 1,367,589</u>	<u>\$ 2,953,109</u>	<u>\$ 932,761</u>

The negative balance in unrestricted net assets of the Township's governmental activities is caused by the accounting of the sewer debt and the related capital assets. The capital assets are accounted for in the business-type activities column or sewer fund. However, the debt for the sewer capital assets is recorded under governmental activities because the debt is paid with taxes and special assessments.

The current level of total net assets for the Township as a whole stands at \$2,953,109.

The following table shows the activities of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 275,641	\$ 182,712	\$ 227,292	\$ 208,906	\$ 502,933	\$ 391,618
Operating Grants and Contributions	118,964	11,365	-	-	118,964	11,365
Capital Grants and Contributions	-	9,530	-	-	-	9,530
General Revenues						
Property Taxes	802,241	529,485	-	-	802,241	529,485
State-Shared Revenues	150,834	173,754	-	-	150,834	173,754
Other	22,602	68,426	-	-	22,602	68,426
Investment Earnings (Loss)	22,998	34,256	687	408	23,685	34,664
Transfers	(114,139)	(60,000)	114,139	60,000	-	-
Total Revenues	<u>1,279,141</u>	<u>949,528</u>	<u>342,118</u>	<u>269,314</u>	<u>1,621,259</u>	<u>1,218,842</u>
Program Expenses						
Legislative	51,592	63,221	-	-	51,592	63,221
General Government	313,020	331,457	-	-	313,020	331,457
Public Works	255,846	140,227	-	-	255,846	140,227
Public Safety	65,889	64,152	-	-	65,889	64,152
Health and Welfare	61,106	54,017	-	-	61,106	54,017
Recreation and Culture	49,721	32,946	-	-	49,721	32,946
Interest Expense	163,040	169,218	-	-	163,040	169,218
Other Expenses	37,060	28,728	-	-	37,060	28,728
Depreciation Expense	21,511	16,160	-	-	21,511	16,160
Sewer	-	-	432,459	301,726	432,459	301,726
Total Expenses	<u>1,018,785</u>	<u>900,126</u>	<u>432,459</u>	<u>301,726</u>	<u>1,451,244</u>	<u>1,201,852</u>
Changes in Net Assets	260,356	49,402	(90,341)	(32,412)	170,015	16,990
Net Assets – Beginning	(434,828)	(831,186)	1,367,589	1,400,001	932,761	568,815
Prior Period Adjustment	-	346,956	1,850,333	-	1,850,333	346,956
Net Assets – Ending	<u>\$ (174,472)</u>	<u>\$ (434,828)</u>	<u>\$ 3,127,581</u>	<u>\$ 1,367,589</u>	<u>\$ 2,953,109</u>	<u>\$ 932,761</u>

### **Governmental Activities**

The Township's total governmental revenues increased by approximately \$329,613, primarily due to a new Ambulance/Fire millage of \$167,400 and several new grants that the Township was awarded in 2007.

Expenses increased by about \$118,659 during the year. This was primarily the result of an increase in activities for various grant-funded projects and allocation of about 50% of the cost for a new ambulance.

General government activities include projects such as curbs, gutters and drainage to protect the adjacent sidewalk on M-134 which runs from the school corner to the Laundromat in Cedarville; excavation of the recreation park area behind the Township Hall; planning and zoning updates; adding new content and features to website. Many other activities this year were internal improvements such as establishing new procedures for service contracts, special events, setting policies and other controls to better document and improve procedures, processes and organization.

### **Business-Type Activities**

The Township's only business-type activity is the sewer. They provide sewer service to approximately 836 customers (residential and commercial). Sewer revenues in 2007 were greater, because of additional customers hooking on to the system and a \$6.00 per quarter increase in quarterly user fees. Sewer expenses rose from the prior year due to increased maintenance costs because of aging lift stations and legal expenses.

Activities in the Sewer Department this year include research into adding new users from a proposed private system on Marquette Island (Les Cheneaux Club), reactivating the Sewer Advisory Board by appointing members, providing for a stipend, and setting regular meeting dates every other month. The Sewer Advisory Board has been reviewing the Sewer Ordinance for clarification and updates. They will also work with the Township and Wastewater Treatment staff to plan for future repair, replacement and any expansion projects.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Road, Ambulance, and Sewer Expansion Funds.

The General Fund pays for most of the Township's governmental services. The most significant is general government, which incurred expenses of approximately \$313,020 in 2007. These services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

### **Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues exceeded expectations by \$18,980. Township departments overall did not exceed the budget, resulting in total expenditures \$40,398 under budget. This caused the General Fund's fund balance to increase from \$122,862 a year ago to \$184,411 at June 30, 2007.

Changes in revenue were due to:

- A millage was passed by the voters to generate \$167,400 to fund approximately ½ the cost of a new Ambulance and ½ the cost of a new Tanker Truck for the Fire Department.
- The Township received a \$5,250 grant from the Les Cheneaux Community Foundation (LCCF) for Planning & Zoning.
- The Township received a \$1,000 grant from the Les Cheneaux Islands Association for Planning & Zoning.
- The Township received \$5,000 in Tribal 2% funding to help build a softball field in the Recreation Park.
- Ambulance fee revenue went up by \$23,000 due to more ambulance runs and better control over receivables.
- The Township received Federal Grant funds of about \$26,000 for tourism development & marketing.
- The Township received \$10,000 in grant funds from LCCF for a pre-engineering study for the Bike Path project.
- LCCF also funded \$3,000 to support Bike Path project for education, outreach, and marketing.
- Almost \$5,000 in Bike Path revenue was received from donations and fundraising events.
- Fire Department brought in almost \$11,000 in donations & fundraisers for gear and equipment.
- The Marina/Beach fund received almost \$5,000 more in launch fees than anticipated. These monies will be used to repair or improve public access to and enjoyment of Lake Huron.

While some of the expenditures were lower than anticipated, others were higher at year end due to changes or impacts of unanticipated events:

- The lift station on Shaftmaster Road had pumps that were failing due to age and corrosion; lift station #2 also needed serious repairs, causing costs for professional services to skyrocket. Pumps will be replaced and repairs completed in the first 30 days of the new fiscal year.
- The General Fund had to loan Sewer Operations & Maintenance \$30,000.
- The Township spent almost \$26,000 on tourism development & marketing due to grant funds from the Forest Service Economic Renewal Program.

- The Township spent about \$4,000 less in postage due to a credit balance carried over from the prior year.
- The Township contracted with EUP Regional Planning & Development in the amount of \$10,000 to conduct a pre-engineering study for North Huron Scenic Pathway, a non-motorized trail from St. Ignace to Drummond Island, of which the Les Cheneaux Bike Path will be a segment.
- The Township Master Planning and Zoning Update project was launched in early 2007. A retainer of \$5,000 was paid to consultants, Gourdie Fraser, from which to draw for project expenses.
- Legal and Appeal Fees were up over \$40,000 due to trial phase of a law suit regarding a sewer back-up.
- Employee Health Insurance expenses were \$2,000 less than anticipated due to a reduction in rates.
- Solid waste expenses moved from Township Hall and Grounds block consolidating these expenses in the Solid Waste Department for the first time. In addition, owing to changes in service provider and policy, costs for solid waste disposal realized a \$10,000 savings overall.
- Ambulance expenses were up almost \$8,000 due to more runs incurring additional payroll and paramedic intercept costs.
- The Fire Department spent \$21,785 that was not planned for at budget time. With the success of their fundraising plan, they added \$10,000 from their fund balance to acquire additional equipment.

**Capital Asset and Debt Administration**

At the end of 2007, the Township had \$3,901,030 invested in a broad range of capital assets, including land, buildings, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them). The Township is also working on updating its physical inventory of capital assets in order to rectify issues discussed in Note 4. The Township reduced its outstanding debt by \$102,500 to an ending balance of \$3,435,700.

**Economic Factors and Next Year's Budgets and Rates**

The Township's 2008 budget calls for no increase in property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township may grow less than by inflation, before considering new property additions.

**Budget items for 2008**

**Fire Department:** In August 2006 a millage was passed past by the voters supporting 1 mil increase for one year only, to help purchase a new ambulance for the Ambulance Corps and a new tanker truck for the Fire Department. This millage raised approximately \$ 167,400. The Township has budgeted an additional \$ 180,000 from a special emergency vehicle fund to pay the difference. The new ambulance has been received and is in operation. Delivery of the tanker truck is expected in early December 2007.

The Fire Department also has a wish list which includes turn-out gear, equipment and tools for which the Firefighters have been holding fundraising activities and writing for grant funding.

**DPW:** Due to the dimensions of the Fire Department tanker truck being larger than anticipated, a parking problem for the emergency vehicles had to be resolved. In order to park the vehicles in such a manner that they can be deployed quickly in an emergency the Department of Public Works (DPW) was moved temporarily to the old Ambulance Hall in Hessel. Since most of the Sewer customers are in Cedarville, this location is not cost effective and a new location must be found for the DPW, hopefully in the 2007/2008 fiscal year. Costs for a new DPW location were not planned for in the 2008 budget. A new business plan must be developed for the DPW in the upcoming fiscal year(s).

**Recreation Park:** Excavation of the Township Recreation Park is completed; a picnic pavilion has been erected as a donation by McMaken Construction. An opportunity was presented by a \$10,000 contribution from Mackinac County to install a well and irrigation network for the park. This was previously considered for a future time, but with the money from the county it made practical sense to do the irrigation phase prior to putting in the ball fields. Implementation and construction of ball fields will begin in summer 2008. The Recreation Committee has a fundraising campaign with \$ 11,500 in challenge grants from the Les Cheneaux Community Foundation. The Lion's Club is also playing a large role helping to fund the ball fields. Businesses, organizations, and individuals have pledged contributions of money, materials, and labor toward various venues in the park. Other grant funding is in progress. The Recreation Fund will see numerous adjustments over the course of the 2008 fiscal year as development will move forward as funding revenues are received.

**Planning & Zoning:** Significant funding has been committed to updating the Master Plan and complete revamping of Zoning Ordinances. Grants of \$25,000 from the DEQ Costal Zone Management Program, \$5,250 from the Les Cheneaux Community Foundation (received in 2007), and \$1,000 from Les Cheneaux Islands Association (received in 2007) have been awarded to the Township to accomplish this large project. Gourdie Fraser has been hired as consultant and the project will unfold over the 2008 fiscal year.

**Les Cheneaux Bike Path:** The Clark Township Bike Path Committee is working with municipalities from St. Ignace to Drummond Island to complete a non-motorized path which they are calling the *North Huron Scenic Pathway*. Clark Township has received a grant from LCCF for \$10,000 to help pay for a pre-engineering study for our segment of the path. We also have been awarded another grant of \$3,000 (LCCF) which will help with community outreach for this project. Many fundraising events will occur early in 2008 fiscal year. Next winter will be spent writing grants and planning fundraising strategies. The 2008 budget will be adjusted to accommodate this project once funds are confirmed.

**Public Works:** The Township will contract for curbs, gutters and drainage improvements to protect the new sidewalk on M-134 and repair impacts to adjacent property that occurred when the sidewalk was put in. MDOT is resurfacing M-134 early in the 2007/2008 fiscal year, so the Township will be to take advantage of MDOT's negotiated pricing from Payne and Dolan. \$18,250 has been budgeted for engineering and contracting.

**Roads:** Clark Township voters passed a 5-year millage renewal for Road maintenance in 2005, which will bring in approximately \$174,240 in revenue for 2007/2008. Scheduled improvements include: Blindline Road, Swede Road, and Chard Road. In addition an upgrade in regulatory signage is underway by the Mackinac County Road Commission.

**Community Center:** A grant for \$15,500 to improve accessibility for elections has been awarded to repair the front sidewalk and handicap access approach, and to replace the front doors with ADA approved doors. Additionally, \$3,000 in duct work changes is planned to improve heating efficiency.

**Marinas & Beach:** Repairs to docks are planned to replace holes in metal under-sheeting. Foam beads that promote flotation are leaking out of holes. The cost is approximately \$12,500 50% of which will be covered by a Waterways Commission Emergency grant, a \$2,000 discount from Flotation Docking, with the remainder from the General Fund. \$3,500 is also budgeted to repair the roof overhang on the Marina building.

**Sewer Department:** The Township has budgeted \$8,000 for ACI Finance, a consultant who will do an analysis of the Sewer Funds, including a rate study. The project is planned for this fall and ACI will advise the Township how to plan for the needs of system operation and maintenance; future repair and replacement as system ages; how to prepare for future expansion; and how to insure that the Township is able meet current and future debt obligations. Sewer will pay back \$30,000 loan to General Fund.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 484-2672.

## **Basic Financial Statements**

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**Statement of Net Assets**
**June 30, 2007**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash & Equivalents - Unrestricted	\$ 908,094	\$ 31,931	\$ 940,025
- Restricted	-	5,000	5,000
Accounts Receivable	51,851	19,160	71,011
Special Assessments Receivable	1,543,118	-	1,543,118
Other Assets	123	-	123
Total Current Assets	2,503,186	56,091	2,559,277
<b>Noncurrent Assets</b>			
Capital Assets (Not Depreciated)	152,128	12,795	164,923
Capital Assets (Net of Accumulated Depreciation)	643,036	3,093,071	3,736,107
Total Noncurrent Assets	795,164	3,105,866	3,901,030
TOTAL ASSETS	\$ 3,298,350	\$ 3,161,957	\$ 6,460,307
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accrued Liabilities	\$ 7,778	\$ 2,545	\$ 10,323
Accounts Payable	14,422	-	14,422
Accrued Interest Payable	37,910	-	37,910
Internal Loans	(30,000)	30,000	-
Other Liabilities	-	1,831	1,831
Capital Leases	2,233	-	2,233
Installment Loans	16,700	-	16,700
Bonds Payable	90,000	-	90,000
Total Current Liabilities	139,043	34,376	173,419
<b>Noncurrent Liabilities</b>			
Capital Leases	4,779	-	4,779
Installment Loans	247,000	-	247,000
Bonds Payable	3,082,000	-	3,082,000
Total Noncurrent Liabilities	3,333,779	-	3,333,779
TOTAL LIABILITIES	3,472,822	34,376	3,507,198
<b>NET ASSETS:</b>			
Invested in Capital Assets - net of related debt	524,452	3,105,866	3,630,318
Restricted	-	5,000	5,000
Unrestricted	(698,924)	16,715	(682,209)
TOTAL NET ASSETS	\$ (174,472)	\$ 3,127,581	\$ 2,953,109

# Clark Township, Michigan

## Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
Legislative	\$ 51,592	\$ -	\$ -	\$ -	\$ (51,592)	\$ -	\$ (51,592)
General Government	313,020	14,072	95,468	-	(203,480)	-	(203,480)
Public Works	255,846	17,531	1,739	-	(236,576)	-	(236,576)
Public Safety	65,889	26,421	10,976	-	(28,492)	-	(28,492)
Health & Welfare	61,106	85,043	6,880	-	30,817	-	30,817
Recreation and Culture	49,721	34,681	3,901	-	(11,139)	-	(11,139)
Interest Expense	163,040	97,893	-	-	(65,147)	-	(65,147)
Other Expenses	37,060	-	-	-	(37,060)	-	(37,060)
Depreciation Expense - Unallocated	21,511	-	-	-	(21,511)	-	(21,511)
Total Governmental Activities	1,018,785	275,641	118,964	-	(624,180)	-	(624,180)
<b>Business-type Activities:</b>							
Sewer	432,459	227,292	-	-	-	(205,167)	(205,167)
Total Business-type Activities	432,459	227,292	-	-	-	(205,167)	(205,167)
Total Primary Government	<u>\$ 1,451,244</u>	<u>\$ 502,933</u>	<u>\$ 118,964</u>	<u>\$ -</u>	(624,180)	(205,167)	(829,347)
<b>General Revenues:</b>							
Taxes					802,241	-	802,241
State Revenue Sharing					150,834	-	150,834
Other					22,602	-	22,602
Investment Earnings (Loss)					22,998	687	23,685
Transfers					(114,139)	114,139	-
<b>Total General Revenues and Transfers</b>					884,536	114,826	999,362
Changes in Net Assets					260,356	(90,341)	170,015
Net Assets - Beginning					(434,828)	1,367,589	932,761
Prior Period Adjustments					-	1,850,333	1,850,333
<b>Net Assets - Ending</b>					<u>\$ (174,472)</u>	<u>\$ 3,127,581</u>	<u>\$ 2,953,109</u>

See accompanying notes to financial statements.

# Clark Township, Michigan

## Balance Sheet Governmental Funds June 30, 2007

	General	Road Fund	Ambulance	Sewer Expansion	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash & Equivalents	\$ 124,760	\$ 180,909	\$ 285,464	\$ 233,237	\$ 83,724	\$ 908,094
Accounts Receivable	51,851	-	-	-	-	51,851
Special Assessments Receivable	-	-	-	1,543,118	-	1,543,118
Other Assets	-	-	-	-	123	123
Due from Other Funds	30,000	-	-	-	2,489	32,489
<b>TOTAL ASSETS</b>	<b>\$ 206,611</b>	<b>\$ 180,909</b>	<b>\$ 285,464</b>	<b>\$ 1,776,355</b>	<b>\$ 86,336</b>	<b>\$ 2,535,675</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 14,422	\$ -	\$ -	\$ -	\$ -	\$ 14,422
Accrued Liabilities	7,778	-	-	-	-	7,778
Due to Other Funds	-	-	-	2,489	-	2,489
Deferred Revenue	-	-	-	1,543,118	-	1,543,118
<b>TOTAL LIABILITIES</b>	<b>22,200</b>	<b>-</b>	<b>-</b>	<b>1,545,607</b>	<b>-</b>	<b>1,567,807</b>
<b>FUND BALANCES:</b>						
Unreserved						
Undesignated	184,411	180,909	285,464	230,748	86,336	967,868
<b>TOTAL FUND BALANCES</b>	<b>184,411</b>	<b>180,909</b>	<b>285,464</b>	<b>230,748</b>	<b>86,336</b>	<b>967,868</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 206,611</b>	<b>\$ 180,909</b>	<b>\$ 285,464</b>	<b>\$ 1,776,355</b>	<b>\$ 86,336</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	795,164
Special Assessments recognized under full accrual accounting	1,543,118
Long-term notes, leases and bonds payable for governmental activities	(3,442,712)
Accrued interest payable	(37,910)
<b>Net assets of governmental activities</b>	<b>\$ (174,472)</b>

See accompanying notes to financial statements.

# Clark Township, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2007

	General	Road Fund	Ambulance	Sewer Expansion	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 303,082	\$ 165,589	\$ 166,878	\$ 124,976	\$ 41,716	\$ 802,241
Special Assessments	-	-	-	128,618	-	128,618
Federal Sources	27,034	-	-	-	-	27,034
State Sources	155,001	-	-	-	-	155,001
Local Sources	24,446	-	-	-	39,821	64,267
Charges for Services	167,118	-	-	-	5,280	172,398
Contributions	-	-	6,880	-	16,616	23,496
Interest & Rentals	13,289	-	5,598	7,211	2,250	28,348
Other Revenue	18,001	538	-	211	3,852	22,602
<b>TOTAL REVENUES</b>	<b>707,971</b>	<b>166,127</b>	<b>179,356</b>	<b>261,016</b>	<b>109,535</b>	<b>1,424,005</b>
<b>EXPENDITURES:</b>						
Legislative	51,592	-	-	-	-	51,592
General Government	313,020	-	-	-	-	313,020
Public Works	62,289	193,557	-	-	-	255,846
Public Safety	65,889	-	-	-	-	65,889
Health & Welfare	61,106	-	-	-	-	61,106
Recreation and Culture	35,041	-	-	-	14,680	49,721
Debt Service	25,508	-	-	211,436	30,969	267,913
Capital Outlay	7,012	-	112,075	-	22,785	141,872
Other Expenditures	31,977	-	-	-	-	31,977
<b>TOTAL EXPENDITURES</b>	<b>653,434</b>	<b>193,557</b>	<b>112,075</b>	<b>211,436</b>	<b>68,434</b>	<b>1,238,936</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>54,537</b>	<b>(27,430)</b>	<b>67,281</b>	<b>49,580</b>	<b>41,101</b>	<b>185,069</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from Capital Lease	7,012	-	-	-	-	7,012
Operating Transfers Out	-	-	-	(83,000)	(31,139)	(114,139)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>61,549</b>	<b>(27,430)</b>	<b>67,281</b>	<b>(33,420)</b>	<b>9,962</b>	<b>77,942</b>
<b>FUND BALANCES, JULY 1</b>	<b>122,862</b>	<b>208,339</b>	<b>218,183</b>	<b>264,168</b>	<b>76,374</b>	<b>889,926</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 184,411</b>	<b>\$ 180,909</b>	<b>\$ 285,464</b>	<b>\$ 230,748</b>	<b>\$ 86,336</b>	<b>\$ 967,868</b>
See accompanying notes to financial statements.						

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**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2007**

Net Changes in fund balances – total governmental funds \$ 77,942

The change in net assets reported for governmental activities in the  
Statement of Activities is different because:

Special assessments revenue is not recognized under the modified  
accrual basis of accounting until received, rather than as it accrues. (30,725)

Repayment of principal on long-term debt 102,500

Proceeds from Capital Lease (7,012)

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount  
by which capital outlay exceeded depreciation in the current period. 115,278

Interest on long-term debt is not recognized under the modified accrual  
basis of accounting until due rather than as it accrues. 2,373

Changes in net assets – statement of activities \$ 260,356

**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2007**

	Business-type Activities Enterprise Fund
	Sewer
<b>ASSETS:</b>	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 31,931
- Restricted	5,000
Accounts Receivable	19,160
Total Current Assets	56,091
Noncurrent assets	
Capital Assets (net of accumulated depreciation)	3,105,866
<b>TOTAL ASSETS</b>	<b>\$ 3,161,957</b>
<b>LIABILITIES:</b>	
Current Liabilities	
Accrued Liabilities	\$ 2,545
Due to Other Funds	30,000
Other Liabilities	1,831
<b>TOTAL LIABILITIES</b>	<b>34,376</b>
<b>NET ASSETS:</b>	
Invested in Capital Assets	3,105,866
Unreserved	16,715
Reserved	5,000
<b>TOTAL NET ASSETS</b>	<b>3,127,581</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,161,957</b>

**Statement of Revenues, Expenses, and  
Changes in Net Assets - Proprietary Fund  
For the Year Ended June 30, 2007**

	Business-type Activities <u>Enterprise Fund</u>  <u>Sewer</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 226,748
Other	<u>544</u>
Total Operating Revenues	<u>227,292</u>
<b>OPERATING EXPENSES:</b>	
Employee Wages & Benefits	124,642
Fees for Services	57,487
Supplies	84,621
Fuel	5,034
Insurance	16,288
Repairs & Maintenance	14,560
Small Tools & Equipment	823
Depreciation Expense	74,133
Utilities	47,482
Training	1,995
Miscellaneous	<u>5,394</u>
Total Operating Expenses	<u>432,459</u>
Operating Income (Loss)	<u>(205,167)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest on Deposits	<u>687</u>
Total Non-Operating Revenues (Expenses)	<u>687</u>
Income (Loss) Before Transfers	(204,480)
Transfers In	<u>114,139</u>
<b>Changes in Net Assets</b>	(90,341)
<b>NET ASSETS, APRIL 1</b>	1,367,589
Prior Period Adjustments	<u>1,850,333</u>
<b>NET ASSETS, MARCH 31</b>	<u><u>\$ 3,127,581</u></u>

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2007**

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers/payments (to) from other governmental units	\$ 261,472
Payments to Suppliers	(233,684)
Payments to Employees	<u>(123,979)</u>
Net Cash Provided (Used) by Operating Activities	<u>(96,191)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Operating transfers in	<u>114,139</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>114,139</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets	<u>(11,174)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(11,174)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Deposits	<u>687</u>
Net Cash Provided (Used) by Investing Activities	<u>687</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,461
Balances - Beginning of the Year	<u>29,470</u>
Balances - End of the Year	<u><u>\$ 36,931</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (205,167)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	74,133
Change in Assets and Liabilities:	
Accounts Receivable	4,180
Due to other funds	30,000
Accrued Liabilities	2,545
Other Liabilities	<u>(1,882)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (96,191)</u></u>



**Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2007**

	<u>Trust &amp; Agency</u>
<b>ASSETS:</b>	
Cash & Cash Equivalents	<u>\$          5,374</u>
 TOTAL ASSETS	 <u><u>\$          5,374</u></u>
<b>LIABILITIES:</b>	
Due to Other Governments	<u>\$          5,374</u>
 TOTAL LIABILITIES	 <u><u>\$          5,374</u></u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Clark Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

**A – Reporting Entity:**

Clark Township ("The Township") is a general law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including public safety, community enrichment and development, public works, recreation and culture, and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Clark Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Clark Township.

Clark Township has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 39 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

**Component Units:**

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

**Blended Component Units**

Clark Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Clark Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which, rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Township first utilizes restricted resources to finance qualifying activities.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Taxes Receivable – Current or Property Taxes

The Clark Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Clark Township as of the preceding December 31st.

The 2006 taxable valuation of Clark Township totaled \$167,416,101, on which ad valorem taxes levied consisted of 1.431 mills for the Township operating, .9952 mills for Roads, 1.0 mills for Fire/Ambulance, .2510 for Sewer Debt, and .7500 mills for Sewer Expansion Debt, raising \$239,572 for operating, \$166,613 for Roads, \$167,416 for Fire/Ambulance, \$42,021 for Sewer Debt, and \$125,562 for Sewer Expansion Debt. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund**

This fund accounts for the revenue collected to repair and maintain roads within the Township.

**Ambulance Fund**

This fund accounts for ambulance equipment replacement.

**Sewer Expansion fund**

This fund accounts for activities that create and maintain the sewer system within Clark Township.

The Township reports the following major business-type fund:

**Sewer Fund**

This fund accounts for activities that operate the sewer system within the Township.

Additionally, the Township reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. The period of coverage for insurances at the Township coincides with its fiscal year. Therefore, insurance premiums are expensed.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Sewer System	40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents –			
Unrestricted	\$ 908,094	\$ 31,931	\$ 5,374
Restricted for Maintenance	-	5,000	-
Total	<u>\$ 908,094</u>	<u>\$ 36,931</u>	<u>\$ 5,374</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts)	\$ 867,291	\$ 5,374
Certificates of Deposit	77,734	-
Total	<u>\$ 945,025</u>	<u>\$ 5,374</u>



**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Investment and Deposit Risk**

*Interest Rate Risk.* Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

*Credit Risk.* The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$670,507 of the Township's bank balance of \$948,242 was exposed to credit risk because it was uninsured and uncollateralized.

**Statutory Authority:**

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Adjustments/ Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 152,128	\$ -	\$ -	\$ 152,128
Subtotal	<u>152,128</u>	<u>-</u>	<u>-</u>	<u>152,128</u>
Capital assets being depreciated:				
Buildings	595,296	-	-	595,296
Machinery and equipment	<u>20,230</u>	<u>136,789</u>	<u>-</u>	<u>157,019</u>
Subtotal	<u>615,526</u>	<u>136,789</u>	<u>-</u>	<u>752,315</u>
Less accumulated depreciation for:				
Buildings	82,493	14,883	-	97,376
Machinery and equipment	<u>5,275</u>	<u>6,628</u>	<u>-</u>	<u>11,903</u>
Subtotal	<u>87,768</u>	<u>21,511</u>	<u>-</u>	<u>109,279</u>
Net Capital Assets Being Depreciated	<u>527,758</u>	<u>115,278</u>	<u>-</u>	<u>643,036</u>
Total Capital Assets - Net of Depreciation	<u>\$ 679,886</u>	<u>\$ 115,278</u>	<u>\$ -</u>	<u>\$ 795,164</u>

Depreciation expense for the fiscal year of \$21,511 was not allocated to various governmental activities since the assets serve multiple functions.

**Business-type Activities:**

Capital assets not being depreciated:				
Land	\$ 12,795	\$ -	\$ -	\$ 12,795
Subtotal	<u>12,795</u>	<u>-</u>	<u>-</u>	<u>12,795</u>

**NOTE 4 -CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Adjustments/ Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings	29,217	-	-	29,217
Machinery and equipment	189,477	-	-	189,477
Sewer system	<u>1,856,912</u>	<u>2,286,173</u>	-	<u>4,143,085</u>
Subtotal	<u>2,075,606</u>	<u>2,286,173</u>	-	<u>4,361,779</u>
Less accumulated depreciation for:				
Buildings	29,217	-	-	29,217
Machinery and equipment	128,251	18,947	-	147,198
Sewer system	<u>612,441</u>	<u>479,852</u>	-	<u>1,092,293</u>
Subtotal	<u>769,909</u>	<u>498,799</u>	-	<u>1,268,708</u>
Net Capital Assets Being Depreciated	<u>1,305,697</u>	<u>1,787,374</u>	-	<u>3,093,071</u>
Total Capital Assets – Net of Depreciation	<u>\$ 1,318,492</u>	<u>\$ 1,787,374</u>	<u>\$ -</u>	<u>\$ 3,105,866</u>

Supporting information for the cost of capital assets and depreciation expense was not available. Depreciation expense for Business-Activities was charged to the Sewer Fund in the amount of \$74,133.

**NOTE 5 - LONG-TERM DEBT:**

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Clark Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

Changes in long-term debt during the year ending June 30, 2007 are summarized as follows:

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/07</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
1972 Mackinac County Sanitary Sewage Disposal System Revenue Bonds, maturing serially to 2012 in annual amounts ranging from \$22,000 to \$24,000 and bearing interest of 5% semiannually.	\$ 144,000	\$ -	\$ 24,000	\$ 120,000	\$ 24,000

**NOTE 5 - LONG-TERM DEBT: (Continued)**

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/07</u>	<u>Due Within One Year</u>
Mackinac County Sanitary Sewage Disposal System #2 Bonds, Series 2002, maturing Serially to 2030 in annual amounts ranging from \$45,000 to \$155,000 and bearing interest of 2 to 5.125% semiannually.	2,275,000	-	55,000	2,220,000	55,000
Mackinac County Sewage Disposal System Bonds, Series 1999, maturing semiannually to 2039 in annual amounts ranging from \$9,000 to \$51,000 and bearing interest of 3.5347% semiannually.	843,000	-	11,000	832,000	11,000
Township Hall financing with Rural Development, due in annual installments of \$6,000 to \$19,000 through 2028, interest of 4.75% due semiannually.	260,000	-	6,000	254,000	7,000
Land financed with First National Bank, due in annual installments of \$6,500 through 2008, interest of 5.35% due semiannually.	<u>16,200</u>	<u>-</u>	<u>6,500</u>	<u>9,700</u>	<u>9,700</u>
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<u><b>\$ 3,538,200</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 102,500</b></u>	<u><b>\$ 3,435,700</b></u>	<u><b>\$ 106,700</b></u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 106,700	\$ 150,762
2009	103,000	146,302
2010	103,000	141,996
2011	110,000	137,507
2012	116,000	132,724
2013-2017	536,000	593,256
2018-2022	659,000	460,865
2023-2027	842,000	285,451
2028-2032	557,000	91,993
2033-2037	205,000	36,141
2038-2040	98,000	3,534
<b>Total</b>	<u><b>\$ 3,435,700</b></u>	<u><b>\$ 2,180,531</b></u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE TO OTHER FUNDS				
DUE FROM OTHER FUNDS		General Funds	Nonmajor Governmental Funds	Total
	Sewer Expansion	\$ -	\$ 2,489	\$ 2,489
	Sewer Operations	<u>30,000</u>	<u>-</u>	<u>30,000</u>
	Total	<u>\$ 30,000</u>	<u>\$ 2,489</u>	<u>\$ 32,489</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN	TRANSFERS OUT			
	Sewer Expansion	Nonmajor Governmental Funds	Total	
	Sewer Operations	\$ 83,000	\$ 31,139	\$ 114,139
	Total	\$ 83,000	\$ 31,319	\$ 114,139

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE AND DEFERRED REVENUE**

At the time special assessments are approved, the amount of the assessments and related deferred revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 40 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. The deferred revenue is recognized ratably over the term of the assessment. In the government-wide statements revenue is recognized when the improvement is completed.

**NOTE 8 - RISK MANAGEMENT**

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**NOTE 9 - CONTINGENT LIABILITIES**

The Township has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2007.

**NOTE 10 - COMMITMENTS**

The Township has executed contracts with the Mackinac County Road Commission for improvements to the road systems of the Township to be performed in the subsequent fiscal years. These contracts and commitments amounted to \$150,300 and it is anticipated these amounts will be appropriated from current funds available.

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

Beginning net assets of the business-type activities were restated to account for capital assets related to the 1992 sewer system expansion project, not previously included in net assets. The affect on previously reported changes in net assets was (\$424,667.)

Net assets of Sewer Fund at June 30, 2006 (as previously reported)	\$ 1,367,589
Prior period adjustment for recording of 1992 sewer system capital assets, net of accumulated depreciation	<u>1,850,333</u>
Net assets restated at June 30, 2006	<u>\$ 3,217,922</u>

**NOTE 12 - CAPITAL LEASE OBLIGATIONS**

The Township executed a capital lease for the purchase of the equipment listed below:

2008	\$ 2,556
2009	2,556
2010	<u>2,556</u>
Total	7,668
Amount of Interest	<u>(656)</u>
Net Lease	\$ 7,012
% Interest	4.601%
Annual Payment	\$ 2,556

## **Required Supplementary Information**

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# Clark Township, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 300,100	\$ 300,149	\$ 303,082	\$ 2,933
Federal Sources	-	26,416	27,034	618
State Sources	155,000	155,000	155,001	1
Local Sources	24,250	24,446	24,446	-
Charges for Services	131,000	149,464	167,118	17,654
Interest & Rentals	22,000	22,002	13,289	(8,713)
Other Revenue	11,000	11,514	18,001	6,487
TOTAL REVENUES	643,350	688,991	707,971	18,980
EXPENDITURES:				
Legislative:				
Township Board	29,085	54,786	51,592	3,194
General Government:				
Supervisor	34,515	34,515	32,750	1,765
Treasurer	41,640	41,640	36,814	4,826
Taxes	19,400	19,400	17,735	1,665
Data Processing	10,990	10,990	8,119	2,871
Clerk	48,155	48,155	42,284	5,871
Assessor	72,590	73,739	72,799	940
Board of Review	1,600	1,600	863	737
Township Hall	52,042	52,030	49,805	2,225
Hessel Hall	-	172	172	-
Community Center	17,640	25,515	24,378	1,137
Addressing	650	650	120	530
Elections	3,600	3,876	3,835	41
Cemetery	22,250	23,875	23,346	529
Total General Government	325,072	336,157	313,020	23,137
Public Works:				
Airport	18,240	18,240	7,808	10,432
Projects	15,000	257	12,234	(11,977)
Public Utilities	16,800	18,342	18,278	64
Solid Waste	14,059	28,517	23,969	4,548
Total Public Works	64,099	65,356	62,289	3,067
Public Safety:				
Fire Department	30,050	27,381	23,332	4,049
Zoning	26,105	26,105	21,782	4,323
Electrical Inspections	9,670	10,714	10,709	5
Building Inspections	10,190	10,190	10,066	124
Total Public Safety	76,015	74,390	65,889	8,501
Health & Welfare:				
Ambulance	55,500	61,218	61,106	112

# Clark Township, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Hessel Beach	1,750	1,750	642	1,108
Docks	35,365	35,365	34,399	966
Total Recreation and Culture	37,115	37,115	35,041	2,074
Capital Outlay	-	7,012	7,012	-
Debt Service:				
Principal	12,500	12,500	12,500	-
Interest	13,008	13,008	13,008	-
Total Debt Service	25,508	25,508	25,508	-
Other Expenditures:				
Insurance	27,500	30,450	30,450	-
Other	2,000	1,840	1,527	313
Total Other Expenditures	29,500	32,290	31,977	313
TOTAL EXPENDITURES	641,894	693,832	653,434	40,398
EXCESS OF REVENUES OVER EXPENDITURES	1,456	(4,841)	54,537	59,378
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	7,012	7,012	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 1,456	\$ 2,171	61,549	\$ 59,378
FUND BALANCE, JULY 1			122,862	
FUND BALANCE, JUNE 30			\$ 184,411	

# Clark Township, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Road Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 209,724	\$ 209,724	\$ 165,589	\$ (44,135)
Other Revenue	-	-	538	538
TOTAL REVENUES	209,724	209,724	166,127	(43,597)
EXPENDITURES:				
Public Works	209,724	209,724	193,557	16,167
TOTAL EXPENDITURES	209,724	209,724	193,557	16,167
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(27,430)	<u>\$ (27,430)</u>
FUND BALANCE, JULY 1			<u>208,339</u>	
FUND BALANCE, JUNE 30			<u>\$ 180,909</u>	

# Clark Township, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 167,000	\$ 167,000	\$ 166,878	(122)
Contributions	7,000	7,000	6,880	(120)
Interest & Rentals	6,000	6,000	5,598	(402)
TOTAL REVENUES	180,000	180,000	179,356	(644)
EXPENDITURES:				
Capital Outlay	180,000	180,000	112,075	67,925
TOTAL EXPENDITURES	180,000	180,000	112,075	67,925
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	67,281	<u>\$ 67,281</u>
FUND BALANCE, JULY 1			<u>218,183</u>	
FUND BALANCE, JUNE 30			<u>\$ 285,464</u>	

## **Other Supplementary Information**

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# Clark Township, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds						
	Recreation Fund	Bike path	Fire Fund	Hessel Marina	Airport Fund	Debt Service	Totals
<b>ASSETS:</b>							
Cash & Equivalents	\$ 22,546	\$ 6,499	\$ 169	\$ 6,994	\$ 8,181	\$ 39,335	\$ 83,724
Other Assets	-	-	-	-	-	123	123
Due From Other Funds	-	-	-	-	-	2,489	2,489
<b>TOTAL ASSETS</b>	<u>\$ 22,546</u>	<u>\$ 6,499</u>	<u>\$ 169</u>	<u>\$ 6,994</u>	<u>\$ 8,181</u>	<u>\$ 41,947</u>	<u>\$ 86,336</u>
<b>FUND BALANCES:</b>							
Unreserved	<u>\$ 22,546</u>	<u>\$ 6,499</u>	<u>\$ 169</u>	<u>\$ 6,994</u>	<u>\$ 8,181</u>	<u>\$ 41,947</u>	<u>\$ 86,336</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 22,546</u>	<u>\$ 6,499</u>	<u>\$ 169</u>	<u>\$ 6,994</u>	<u>\$ 8,181</u>	<u>\$ 41,947</u>	<u>\$ 86,336</u>

# Clark Township, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended June 30, 2007

	Special Revenue Funds						
	Recreation Fund	Bike Path	Fire Fund	Hessel Marina	Airport Fund	Debt Service	Totals
<b>REVENUES:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,716	\$ 41,716
Local Sources	22,197	17,624	-	-	-	-	39,821
Charges for Services	-	-	-	5,280	-	-	5,280
Contributions	3,151	750	10,976	-	1,739	-	16,616
Interest & Rentals	-	-	-	-	-	2,250	2,250
Other	-	-	800	-	2,813	239	3,852
<b>TOTAL REVENUES</b>	<b>25,348</b>	<b>18,374</b>	<b>11,776</b>	<b>5,280</b>	<b>4,552</b>	<b>44,205</b>	<b>109,535</b>
<b>EXPENDITURES:</b>							
Recreation & Culture	2,805	11,875	-	-	-	-	14,680
Debt Service	-	-	-	-	-	30,969	30,969
Capital Outlay	-	-	22,785	-	-	-	22,785
<b>TOTAL EXPENDITURES</b>	<b>2,805</b>	<b>11,875</b>	<b>22,785</b>	<b>-</b>	<b>-</b>	<b>30,969</b>	<b>68,434</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>22,543</b>	<b>6,499</b>	<b>(11,009)</b>	<b>5,280</b>	<b>4,552</b>	<b>13,236</b>	<b>41,101</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers Out	-	-	-	-	-	(31,139)	(31,139)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>22,543</b>	<b>6,499</b>	<b>(11,009)</b>	<b>5,280</b>	<b>4,552</b>	<b>(17,903)</b>	<b>9,962</b>
<b>FUND BALANCES, JULY 1</b>	<b>3</b>	<b>-</b>	<b>11,178</b>	<b>1,714</b>	<b>3,629</b>	<b>59,850</b>	<b>76,374</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 22,546</b>	<b>\$ 6,499</b>	<b>\$ 169</b>	<b>\$ 6,994</b>	<b>\$ 8,181</b>	<b>\$ 41,947</b>	<b>\$ 86,336</b>

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Clark Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark Township, Michigan as of and for the year ended June 30, 2007, which collectively comprise Clark Township's basic financial statements and have issued our report thereon dated August 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Clark Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clark Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of Clark Township in a separate letter dated August 17, 2007.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 17, 2007



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Board of Trustees  
Clark Township  
Cedarville, Michigan

We have audited the financial statements of Clark Township for the year ended June 30, 2007, and have issued our report thereon dated August 17, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Clark Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Clark Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **Policies (Prior Year)**

Management of the Township is in the process of updating its policies; we recommend that the following policies be adopted: Authorized Investments, Fraud, Conflict of Interest, Fixed Asset Capitalization, and Purchasing/Procurement.

Response: Policies will be reviewed, updated and/or implemented.

#### **SEC rule 15C2-12 Disclosure Requirements (Prior Year)**

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. With the issuance of the bonds for the sewer system, the Township is subject to these reporting requirements. We recommend that the Township establish a written plan and process to ensure that this report is completed and filed by December 31st of each year.

Response: The Supervisor will implement procedures to ensure that the disclosure requirements are met and that reports are provided to the appropriate institutions by end of the calendar year.

### **Personal Property Taxes**

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

### **Accounts Payable**

The township software has the capability of recording accounts payable during the fiscal year. Accrual based transactions should be recorded to comply with generally accepted accounting principles and provisions of the Michigan Department of Treasury guides. The Township should implement the accounts payable software module to provide interim accurate financial information and to comply with State requirements.

### **Special Assessments**

The special assessment card file for amounts owed by taxpayers within the sewer special assessment area should be manually added and reconciled to the general ledger quarterly. Alternatively, a spreadsheet by property number could be established and reconciled to the general ledger, to provide accurate and readily accessible information.

### **Fraud Policy**

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

### **Check Images**

Due to changes in bank practices, the Township does not receive canceled checks. The Township should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

### **Conclusion**

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Clark Township and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

August 17, 2007